

Youth Entrepreneurs, Inc.

Independent Auditor's Report and Financial Statements

May 31, 2020 and 2019

Youth Entrepreneurs, Inc.
May 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Youth Entrepreneurs, Inc.
Wichita, Kansas

We have audited the accompanying financial statements of Youth Entrepreneurs, Inc., which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Entrepreneurs, Inc. as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Wichita, Kansas
October 14, 2020

Youth Entrepreneurs, Inc.
Statements of Financial Position
May 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 8,991,303	\$ 10,738,949
Accounts receivable	33,348	10,382
Contributions receivable	-	141,250
Prepaid expenses	377,321	365,858
Property and equipment	702,281	710,510
Total assets	\$ 10,104,253	\$ 11,966,949
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 181,619	\$ 266,857
Deferred liabilities	11,126	32,340
Total liabilities	192,745	299,197
 Net Assets		
Without donor restrictions	9,114,467	9,919,878
With donor restrictions	797,041	1,747,874
Total net assets	9,911,508	11,667,752
Total liabilities and net assets	\$ 10,104,253	\$ 11,966,949

Youth Entrepreneurs, Inc.
Statements of Activities
Years Ended May 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 7,047,614	\$ 2,676,495	\$ 9,724,109
Contributions - special events	60,980	-	60,980
Other special event revenue	13,800	-	13,800
Program income	1,238	-	1,238
Interest and dividends	63,597	-	63,597
Other income	66,099	-	66,099
Net assets released from restrictions	3,627,328	(3,627,328)	-
	<u>10,880,656</u>	<u>(950,833)</u>	<u>9,929,823</u>
Total revenues, gains and other support			
Expenses			
Program services	9,656,640	-	9,656,640
Support services			
Development	1,282,742	-	1,282,742
Administrative	746,685	-	746,685
	<u>2,029,427</u>	<u>-</u>	<u>2,029,427</u>
Total support services			
Total expenses	<u>11,686,067</u>	<u>-</u>	<u>11,686,067</u>
Change in Net Assets	(805,411)	(950,833)	(1,756,244)
Net Assets, Beginning of Year	<u>9,919,878</u>	<u>1,747,874</u>	<u>11,667,752</u>
Net Assets, End of Year	<u>\$ 9,114,467</u>	<u>\$ 797,041</u>	<u>\$ 9,911,508</u>

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 7,741,418	\$ 1,802,163	\$ 9,543,581
1,474,537	-	1,474,537
133,385	-	133,385
3,270	-	3,270
42,720	-	42,720
23,602	-	23,602
<u>2,446,414</u>	<u>(2,446,414)</u>	<u>-</u>
<u>11,865,346</u>	<u>(644,251)</u>	<u>11,221,095</u>
<u>8,338,808</u>	<u>-</u>	<u>8,338,808</u>
958,007	-	958,007
<u>710,820</u>	<u>-</u>	<u>710,820</u>
1,668,827	-	1,668,827
<u>10,007,635</u>	<u>-</u>	<u>10,007,635</u>
1,857,711	(644,251)	1,213,460
<u>8,062,167</u>	<u>2,392,125</u>	<u>10,454,292</u>
<u>\$ 9,919,878</u>	<u>\$ 1,747,874</u>	<u>\$ 11,667,752</u>

Youth Entrepreneurs, Inc.
Statements of Functional Expenses
May 31, 2020 and 2019

	2020			
	Program	Support Services		Total
	Services	Development	Administrative	
Salaries, taxes and employee benefits	\$ 4,532,938	\$ 828,536	\$ 598,313	\$ 5,959,787
Grants	18,600	-	-	18,600
Special events	-	117,602	-	117,602
Professional services	1,752,932	74,921	34,220	1,862,073
Advertising	46,854	3,171	10	50,035
Supplies and office expenses	568,963	45,671	12,493	627,127
Information technology	198,946	35,504	56,550	291,000
Occupancy	190,049	34,776	25,030	249,855
Travel and entertainment	1,550,069	92,773	10,896	1,653,738
Conferences & seminars	268,591	25,750	1,908	296,249
Insurance	31,337	5,721	4,154	41,212
Miscellaneous course costs	48,562	671	37	49,270
Write-offs	89,165	1,681	(3,130)	87,716
Memberships & dues	4,814	718	505	6,037
Other	2,196	383	323	2,902
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses before depreciation	9,304,016	1,267,878	741,309	11,313,203
Depreciation of equipment	352,624	14,864	5,376	372,864
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 9,656,640</u>	<u>\$ 1,282,742</u>	<u>\$ 746,685</u>	<u>\$ 11,686,067</u>

2019

Program Services	Support Services		Total
	Development	Administrative	
\$ 4,397,726	\$ 252,995	\$ 576,227	\$ 5,226,948
78,305	-	-	78,305
-	362,628	-	362,628
1,333,123	126,910	34,767	1,494,800
58,538	54,726	-	113,264
477,649	17,268	19,764	514,681
184,268	8,994	25,777	219,039
309,114	13,498	25,801	348,413
986,300	62,053	16,723	1,065,076
121,757	11,716	4,731	138,204
33,753	1,920	3,808	39,481
22,220	113	-	22,333
2,010	6,746	-	8,756
14,565	1,542	1,616	17,723
82	1,878	12	1,972
<hr/>	<hr/>	<hr/>	<hr/>
8,019,410	922,987	709,226	9,651,623
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319,398	35,020	1,594	356,012
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<u>\$ 8,338,808</u>	<u>\$ 958,007</u>	<u>\$ 710,820</u>	<u>\$ 10,007,635</u>

Youth Entrepreneurs, Inc.
Statements of Cash Flows
May 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ (1,756,244)	\$ 1,213,460
Items not requiring (providing) operating cash flows		
Depreciation	372,864	356,012
(Gain) loss on disposal of equipment	(4,500)	9,383
Changes in		
Accounts receivable	(22,966)	11,636
Contributions receivable	141,250	1,112,715
Prepaid and other assets	(11,463)	45,662
Accounts payable and accrued liabilities	(85,238)	87,376
Scholarships and grants payable	-	(1,600)
Deferred liabilities	(21,214)	(22,490)
	<u>(1,387,511)</u>	<u>2,812,154</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	(360,135)	(214,928)
	<u>(360,135)</u>	<u>(214,928)</u>
Net cash used in investing activities		
Increase (Decrease) in Cash and Cash Equivalents	(1,747,646)	2,597,226
Cash and Cash Equivalents, Beginning of Year	<u>10,738,949</u>	<u>8,141,723</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,991,303</u>	<u>\$ 10,738,949</u>

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Youth Entrepreneurs, Inc. (Organization) is a not-for-profit organization whose mission and principal activities are to cultivate an entrepreneurial mindset through experiential learning and provide opportunities to apply those learnings, fostering personal transformation and self-actualization in educators and their students, who in turn positively impact their communities. The Organization's revenues and other support are derived principally from contributions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consisted primarily of savings accounts held by financial institutions.

At May 31, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$8,698,000.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Organization has an unconditional right to receive plus any accrued and unpaid interest. Accounts receivable are unsecured. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Receivables considered delinquent by management are written off based on individual credit evaluations and specific circumstances of the customer. No allowance was recorded as of May 31, 2020 and 2019.

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2020 and 2019

Contributions Receivable

Contributions receivable are stated at their outstanding principal amount, net of unamortized discount and allowance for uncollectible accounts. Contributions receivable are unsecured. The Organization provides an allowance for uncollectible contributions, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the contributor. No allowance was recorded as of May 31, 2020 and 2019.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Donated assets are capitalized at fair value when received. Depreciation is charged to expense under the straight-line or double declining method over the estimated useful life of each asset. All assets purchased at \$1,000 or above that have a useful life greater than one year, are capitalized. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Asset useful lives are as follows:

Furniture, fixtures & equipment	3-15 years
Leasehold improvements	7 years
Vehicles	5 years
Curriculum	3 years
Website development	1-3 years
Video production	3 years
YE student point systems & other	3 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended May 31, 2020 and 2019.

Youth Entrepreneurs, Inc.
Notes to Financial Statements
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Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of contributed services and non-service related contributions such as accounting and tax services, program services, other administrative services, rent, occupancy, and other office supplies from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended May 31, 2020 and 2019, \$1,130,653 and \$1,264,228 was received in in-kind contributions, respectively, and recorded within contributions in the statement of activities.

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2020 and 2019

Income Taxes

The Organization is exempt from income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on unrelated business taxable income, if any.

Note 2: Contributions Receivable

Contributions receivable consisted of the following:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ -	\$ -	\$ -
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 91,250	\$ 50,000	\$ 141,250

No discount or allowance for uncollectible contributions related to contributions receivable was necessary as of May 31, 2020 and 2019.

Note 3: Property and Equipment

Property and equipment at May 31, 2020, consists of:

	2020	2019
Furniture, fixtures and equipment	\$ 98,007	\$ 135,754
Vehicles	100,828	134,363
Curriculum	238,818	238,818
Website development	598,724	588,724
Leasehold improvements	451,424	-
Video production	411,322	370,241
YE student point systems & other	-	152,821
Construction in progress	5,078	142,949
	1,904,201	1,763,670
Less accumulated depreciation	1,201,920	1,053,160
	\$ 702,281	\$ 710,510

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2020 and 2019

Note 4: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at May 31 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose		
Specific geographical locations	\$ 797,041	\$ 1,733,214
Other programs	-	14,660
	<u>\$ 797,041</u>	<u>\$ 1,747,874</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restriction		
Specific geographical locations	\$ 3,612,668	\$ 2,414,676
Other programs	14,660	31,738
	<u>\$ 3,627,328</u>	<u>\$ 2,446,414</u>

Note 5: Special Events

The Organization holds various fundraisers. A fundraising event scheduled for the summer of 2020 was cancelled, which resulted in no revenue. The following schedule summarizes special event activity for the years ended May 31:

	<u>2020</u>	<u>2019</u>
Contributions	\$ -	\$ 1,368,577
Other revenue	620	133,385
	<u>620</u>	<u>1,501,962</u>
Less direct expense	<u>117,602</u>	<u>362,628</u>
	<u>\$ (116,982)</u>	<u>\$ 1,139,334</u>

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2020 and 2019

Note 6: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of May 31, 2020 and 2019, comprise the following:

	2020	2019
Cash	\$ 8,991,303	\$ 10,738,949
Accounts receivable	33,348	10,382
Contributions receivable	-	141,250
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,024,651	\$ 10,890,581

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended May 31, 2020 and 2019, restricted contributions of \$797,041 and \$1,747,874, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 120 days operating expenses. The Organization has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet 120 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended May 31, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

Note 7: Operating Leases

Office Space Leases

Noncancellable operating leases for office space expire in various years through 2023. These leases require the Organization to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at May 31, 2020, were:

2021	\$ 48,258
2022	49,306
2023	33,336
	\$ 130,900

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2020 and 2019

Rent expense for the office leases totaled \$65,897 and \$132,265 for the years ended May 31, 2020 and 2019, respectively. In-kind rent expense for the use of office space totaled \$168,000 for the years ended May 31, 2020 and 2019.

Equipment Leases

The Organization leases copiers for its various locations under operating leases. The leases will expire from December 2021 to August 2023.

Future minimum lease payments at May 31, 2020, were:

2021	\$	13,676
2022		10,696
2023		2,129
2024		<u>532</u>
	<u>\$</u>	<u>27,033</u>

Rent expense for the copier leases totaled \$19,105 and \$23,161 for the years ended May 31, 2020 and 2019, respectively.

Note 8: Retirement Plan

The Organization has a defined contribution retirement plan under Internal Revenue Code Section 401(k). All permanent employees are eligible on their first day of work if they are at least 18 years old. The Organization matches employee's contributions up to 4% of the employee's annual compensation. The Organizations' contributions were \$172,758 and \$162,424 for 2020 and 2019, respectively.

Note 9: Significant Estimates and Concentrations

Contributions

Approximately 50% and 30% of contributions were received from two donor groups and one donor group during the years ended May 31, 2020 and 2019, respectively.

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2020 and 2019

Note 10: Revenue from Contracts with Customers

Change in Accounting Principle

On June 1, 2019, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers at June 1, 2019.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services.

The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements.

Sponsorship Revenue

Performance obligations are determined based on events conducted by the Organization in accordance with the event contract. Revenue for performance obligations satisfied at a point in time is recognized when events occur, and the Organization does not believe it is required to provide additional goods or services related to that contract. No sponsorship revenue was recognized for 2020.

Note 11: Subsequent Events

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

In June 2020, the Organization changed its fiscal year-end from May 31 to December 31.

Subsequent events have been evaluated through October 14, 2020, which is the date the financial statements were available to be issued.

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2020 and 2019

Note 12: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2021. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.